

School Business Alert

June 8, 2010

This edition of the School Business Alert contains information related to Facilities, and the FY11 header changes to the Uniform Financial Accounting balance sheet accounts due to implementation of GASB statement 54.

Facility, Bond, PPEL Elections Data Collection

This data collection is available for completion and certification by July 15th. This application is available on the secure website at <https://www.edinfo.state.ia.us/securelogin.asp>. Contact Gary.Schwartz@iowa.gov, 515-281-4743 with any questions.

QSCB

All QSCB authority has been allocated. It is not anticipated that the QSCB program will receive further authorization because it was a program under ARRA. Contact Gary.Schwartz@iowa.gov, 515-281-4743 with any questions.

GASB Statement 54 and Uniform Financial Accounting Balance Sheet Account Codes

The following guidance has been received from the federal government on the account coding to implement GASB statement 54 in school districts and AEAs. This will be in effect for fiscal year 2010-2011 reporting but not for the 2009-2010 CAR-COA. This information has also been shared with the auditors and software vendors/providers that we have on record. Janice Evans is working on the appropriate coding for the account detail that is in the Uniform Financial Accounting Manual. When that is completed, another email will be sent. Contact: Janice.Evans@iowa.gov, 515-281-4740 with any questions.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, is significantly changing the component classifications of fund balance for the governmental funds. The fund balance/net asset codes will need to be revised to incorporate the five new components of fund balance (i.e., nonspendable, restricted, committed, assigned, and unassigned). In addition, many of the previous classifications will no longer apply and should be removed (i.e., reserve for inventories, reserve for prepaid items, reserve for encumbrances, other reserved fund balance, designated fund balance, and unreserved fund balance). Finally, while the net asset codes (i.e., invested in capital assets – net of related debt, restricted net

assets, and unrestricted net assets) are not being changed, there will need to be a shift in the numerical coding structure to incorporate all of the aforementioned changes.

Historically, fund balance for governmental funds has used two main categorizations – reserved and unreserved. Furthermore, unreserved fund balance could optionally be further sub-classified as designated or undesignated. All of these classifications focused on fund balance from the perspective of its availability for appropriation. In other words, fund balance classifications represented the appropriable or non-appropriable nature of the fund’s financial equity.

Under GASB Statement No. 54, the classification of fund balance will now be from the perspective of the underlying resources within fund balance. Simply put, these new components of fund balance will identify constraints on how resources can be spent and the sources of those constraints. The new components of fund balance will be nonspendable, restricted, committed, assigned, and unassigned. Each of these components has very specific definitions and there is little, if any, direct link between the “old” components of fund balance and the new ones.

New Codes

- 710 **Nonspendable Fund Balance** – The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This would include items not expected to be converted to cash including inventories and prepaid amounts. It may also include the long-term amount of loans and receivables, as well as property acquired for resale and the corpus (principal) of a permanent fund.
- 720 **Restricted Fund Balance** – The restricted fund balance classification should be reported when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- 730 **Committed Fund Balance** – The committed fund balance classification reflects specific purposes pursuant to constraints imposed by formal action of the district’s highest level of decision-making authority (generally the governing board). Also, such constraints can only be removed or changed by the same form of formal action.
- 740 **Assigned Fund Balance** - The assigned fund balance classification reflects amounts that are constrained by the government’s *intent* to be used for specific purposes, but meet neither the restricted nor committed forms of constraint. Also, the assigned fund balance classification is the residual classification for the special revenue, debt service, capital projects, and/or permanent funds (unless that amount is negative, which would require presentation as unassigned fund balance).

- 750 **Unassigned Fund Balance** – The unassigned fund balance classification is the residual classification for the general fund only. It is also where *negative residual amounts* for all *other* governmental funds would be reported.
- 760 **Capital Assets, Net of Related Debt** – This account is used to record the net asset component invested in capital assets, net of related debt, which represents total capital assets less accumulated depreciation less debt directly related to capital assets. This account is to be used in proprietary funds only. (This was previously fund balance code 740.)
- 770 **Restricted Net Assets** – This account is used to record the net assets component—restricted net assets—which represents net assets restricted by sources internal or external to the organization. This account is to be used in proprietary funds only. (This was previously fund balance code 750.)
- 780 **Unrestricted Net Assets** – This account is used to record the net asset component—unrestricted net assets — which represent net assets not classified in accounts 760 and 770. This account is to be used in proprietary funds only. (This was previously fund balance code 760.)